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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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CONTENTS

SUMMARY

Economic activity has attained a high pitch, with output and employment at new postwar highs. Under the impact of growing military expenditures further expansion is in prospect. Along with the surge in consumer buying which has been accentuated by the Korean situation, business plans for capital outlays for plant and equipment have been revised upward. National income has risen to record levels reflecting higher prices as well as expanding output.

Prices continue to advance although at a slower pace than in July. In late September, the BLS weekly index of wholesale prices was about 8 percent higher than before the Korean conflict and only a little below the all-time high established in mid-August 1948. Wholesale prices of textile products and building materials were at new record highs.

The round of wage increases now underway will tend, together with higher raw material costs, to reinforce upward pressures on prices, particularly those of industrial commodities. The advance in prices of farm products has slowed and seasonal increases in supplies will restrain further price gains for most of the remainder of the year.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1949 Year	1949 August	1950 May	1950 June	1950 July	1950 August
Industrial production 1/							
Total	1935-39=100	176	170	195	199	196	207
All manufactures	do.	183	178	204	208	205	216
Durable goods	do.	201	193	231	237	236	245
Nondurable goods	do.	168	165	181	184	181	191
Minerals	do.	134	129	145	151	144	158
Construction activity 1/							
Contracts, total	1935-39=100	368	399	477	507	566	578
Contracts, residential	do.	471	559	743	797	904	887
Wholesale prices 2/							
All commodities	1926=100	155	153	156	157	163	166
All commodities except farm and food	do.	147	145	148	149	152	155
Farm products	do.	166	162	165	166	176	178
Food	do.	162	161	160	162	171	175
Prices received and paid by farmers 3/							
Prices received, all products	1910-14=100	249	244	247	247	263	267
Prices paid, interest, taxes and wage rates	do.	250	249	254	255	256	258
Parity ratio	do.	100	98	97	97	103	103
Consumers' price 2/ 4/							
Total	1935-39=100	169	169	169	170	172	173
Food	do.	202	203	200	205	210	209
Nonfood	do.	151	150	151	151	151	153
Income							
Nonagricultural payments 5/	Bil. dol.	188.2	187.3	198.4	200.7	201.6	
Income of industrial workers 3/	1935-39=100	325	323	349	361	368	
Factory pay rolls 2/	do.	346	344	370	385	391	
Weekly earnings of factory workers 2/							
All manufacturing	Dollars	54.94	54.70	57.54	58.70	59.21	60.28
Durable goods	do.	58.03	57.89	61.57	62.90	63.05	64.09
Nondurable goods	do.	51.46	51.31	52.83	53.74	54.65	55.78
Employment							
Total civilian 6/	Millions	58.7	59.7	59.7	61.5	61.2	62.4
Nonagricultural 6/	do.	50.7	50.1	51.7	52.4	52.8	54.2
Agricultural 6/	do.	8.0	9.6	8.1	9.0	8.4	8.2
Government finance (Federal) 7/							
Income, cash operating	Mil. dol.	3,448	3,150	2,939	4,687	2,110	
Outgo, cash operating	do.	3,554	3,715	3,700	4,061	3,143	
Net cash operating income or outgo	do.	- 106	- 566	- 762	+ 626	-1,032	

Annual data for the years 1929-49 appear on page 19 of the March 1950 issue of The Demand and Price Situation.

Sources: 1/ Federal Reserve Board, construction activity converted to 1935-39 base. 2/ U. S. Department of Labor, Bureau of Labor Statistics. 3/ U. S. Department of Agriculture, Bureau of Agricultural Economics, to convert prices received and prices paid interest, taxes and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. 4/ Consumers' price index for moderate-income families in large cities. 5/ U. S. Department of Commerce revised figures, seasonally adjusted at annual rates. 6/ U. S. Department of Commerce, Bureau of the Census. 7/ U. S. Department of Treasury. Data for 1949 are on average monthly basis.

Commodity Highlights

Average prices received for meat animals this fall may be steady to lower, with a decline expected in prices of hogs. Average prices received by farmers for whole milk at wholesale will increase through the rest of 1950 but will remain a little below last fall. Prices of most fats and oils during 1950-51 probably will remain above the level of a year earlier. This fall and winter, feed prices are expected to average somewhat higher than in the same period of 1949-50. Growers are likely to receive higher prices for most of their deciduous fruits this fall than last. Most commercial truck crops produced for fresh market will bring somewhat lower average prices to farmers this fall than in the fall of 1949. A continuing strong demand for flue-cured tobacco is likely to result in a record season average price to growers.

PRICE CONTROL LEGISLATION

The Defense Production Act of 1950 gives authority to the President until June 30, 1951 to establish price ceilings for materials and services under certain conditions. With respect to agricultural products, the Act provides that no ceiling shall be established for any agricultural commodity below the highest of the following prices, after adjustment for grade, location and seasonal differentials: (1) The parity price for such commodity, or (2) the highest price received by producers during the period from May 24, 1950 to June 24, 1950 or (3) in the case of any commodity for which the market was not active during the period May 24 to June 24, 1950, the average price received by producers during the most recent representative period prior to May 24, 1950 in which the market for that commodity was active. This figure is adjusted to a level in line with the general level of prices received by producers for agricultural commodities during the May 24 - June 24, 1950 period.

OUTPUT AND EMPLOYMENT

Industrial activity rebounded sharply in August from the effects of July vacation shutdowns. The Federal Reserve Board's seasonally adjusted index of industrial production hit a new peacetime high of 207 (1935-39=100) in August, 6 percent above July and 4 percent above the previous record reached in June this year. Expanding activity was rather widespread with many major industry groups registering increases. Preliminary reports indicate a further rise of about 5 points in the index in September.

A rise in the output of durable goods from July accounted for a large part of the total increase. The index of durable goods production rose 4 percent in August to 245-- a new peacetime high. Steel ingot and castings production recovered to the near-record rate of June as operations advanced to an average for the month of about 95.9 percent of capacity compared with 94.7 percent in July. Motor vehicle production, on a daily rate basis, was the same as in July, although total assemblies for the month were up substantially. Production of other transportation equipment advanced, partly reflecting the stepped-up rate of production of military items. Machinery output continued to push upward, rising for the ninth consecutive month as output of producer's equipment and consumers' goods expanded. Rates of output of other major durable industry groups were equal to those in July or slightly higher.

Nondurable goods production also rose to a new peak. The index in August was 191, 6 percent above July and about 4 percent above the previous high in June. Production of textiles increased substantially from the relatively low levels of July, and output of petroleum and coal products also registered large advances. Operations in the paper and paperboard industires were also expanded during August, reaching 107 percent and 100 percent of capacity, respectively, during the week ending August 26. Other industry groups also showed slight increases above July.

Mineral production advanced 10 percent from July to August as coal output more than recovered from the temporary July decline. Crude petroleum production continued to increase, and shipments of metals also showed large gains from the previous month.

New construction activity in August was up 3 percent from the previous month as residential building and highway construction expanded further. The total value of new construction in August was estimated at 2.7 billion dollars, a new all-time monthly high and 24 percent above August a year earlier. Total private construction rose 2 percent to 2.0 billion dollars in August with new private residential building accounting for most of the increase. The value of private residential building was estimated at 1-1/4 billion dollars, more than three-fifths of all private outlays and 2 percent greater than in July. Industrial construction continued to rise with the volume of work on new warehouses and office buildings advancing substantially. Construction of retail stores, restaurants and garages, however, was off slightly from July. Public construction advanced 6 percent in August largely as a result of further expansion in highway work.

During the first eight months of 1950 the value of all new construction was 20 percent higher than in the same period of 1949. Private outlays were up 25 percent with the record volume of homebuilding accounting for most of the rise. Public outlays on new construction during the first 8 months were 9 percent above the same months last year.

Builders started about 141,000 new residential nonfarm dwelling units in August, bringing the total for the first 8 months of this year to 988,400. The August total was slightly below July but 42 percent above August a year earlier, while the number of starts in January-August was 53 percent above the same period in 1949.

Further reflecting the impact of Korean developments, estimates of the Bureau of the Census placed total civilian employment in August at a new peak. A substantial rise in the number of persons with nonfarm jobs pushed total employment to 62.4 million persons, 1.2 million above July, 2.5 million above August 1948, and 752,000 greater than the previous record in July 1948. Nonfarm employment, at 52.4 million, exceeded the previous high reached in August 1948 and July this year by 1.4 million persons. Most of the rise was due to the continued expansion in manufacturing employment, which reflected increases in hiring rates in defense industries as well as continued high level employment in plants turning out civilian goods.

As a result of the greater rise in employment than in the labor force unemployment in August declined to 2.5 million, 700,000 below July and the lowest since December 1948. Almost all of the drop was due to

the increase in the number of nonfarm jobs. Fewer men and women of all age groups were unemployed. The number of long term unemployed (15 weeks or longer) declined for the fourth consecutive month, dropping to a total of 550,000 in August, compared with 700,000 in July and a peak of 1-1/4 million in the spring of this year.

INCOME AND RELATED FACTORS

The flow of personal income to individuals in July was only slightly below the peak in March 1950, when large nonrecurring National Service Life Insurance refunds were disbursed to veterans. The seasonally adjusted annual rate of personal income in July was estimated at 219.0 billion dollars, 1.9 billion above June, 14.5 billion above July a year ago, and only .3 billion below the March total which was augmented by refunds to veterans at an annual rate of 10.6 billion dollars. Virtually all of the June-July increase was due to gains in proprietors' income, both farm and nonfarm. Increases in the latter reflected the buying surge which occurred in July, and the rise in farm proprietors' income largely reflected higher average prices received by farmers.

Under the impact of further expansion in business activity and rising wage rates total personal income during the remainder of 1950 is likely to continue upward. The effect of this prospective rise in total income on demand, however, will be tempered by increases in tax liabilities of individuals under the Revenue Act of 1950. The higher rates became effective on October 1 and are expected to yield an estimated 3.0 billion dollars from individuals at current levels of personal income.

Total salary and wage receipts, at 140.5 billion dollars, were slightly higher than in June and 9.1 billion above July 1949. The gain from July a year ago reflected continued expansion in employment, average hours of work, and hourly earnings, particularly in manufacturing industries. When data for August and September become available it is likely that they will reflect further gains in total salary and wage receipts for those months, as a result of further increases in employment, average hours of work, and basic hourly earnings. In August and early September several new contracts were negotiated in the automobile industry, calling for an immediate increase of 8 to 10 cents an hour. Other provisions called for annual increases of 4 cents an hour over a period of five years and cost of living adjustments in line with movements of the BLS consumers price index. A general advance in wage rates appears to be in prospect for large segments of industry.

Sales at department stores, which usually rise during August, continued at the July levels. As a result, the Federal Reserve Board's index of department store sales, seasonally adjusted, declined to 335 (1935-39=100), 7 percent below July, but 19 percent above a year ago. Sales of appliances and other hard items continued high, registering increases of about 50 percent from a year ago. The large gains in total sales from year-ago levels which occurred in July and August narrowed somewhat in September. In contrast to the 30 percent rise shown for the four weeks ending July 29, sales during the 4 weeks ending September 23 registered an increase of 10 percent from the same period a year earlier.

Total consumer credit outstanding in July was estimated at 20.3 billion dollars, 660 million above June and 4.1 billion greater than July a year ago. The June-July increase was the largest for that period on record. Instalment credit accounted for most of the rise in total credit outstanding, increasing by 500 million dollars to an estimated total of 12.6 billion. Automobile sale credit was responsible for a large part of the total gain in instalment outstandings as car owners increased their net indebtedness by 204 million dollars during the month. Other sale credit also rose at an accelerated rate as developments in Korea touched off a heavy wave of buying of television sets, deep freezers, refrigerators and other major appliances. Instalment loan balances, which include direct loans for purchase of automobiles and other consumers durable goods, as well as F.H.A. insured home repair and modernization loans, were also up, advancing by 151 million dollars during the month to an estimated total of 5.3 billion dollars. The upsurge in consumer buying was also reflected in a rather substantial rise in charge account indebtedness. Charge-account outstandings rose 128 million dollars to a total of 3.5 billion at the end of July largely as a result of "scare" buying of many nondurable items as well as durables. The increase from June brought outstandings substantially above a year ago for the first time this year.

In accordance with the provisions of the Defense Production Act of 1950 signed by the President on September 8, the Federal Reserve Board reimposed consumer credit regulations effective September 18. The new regulations require: (1) Down payments of at least one-third on automobiles with maturities not to exceed 21 months; (2) Down payments of at least 15 percent, and maximum maturities of 18 months for credit used to purchase such major durable items as refrigerators, television sets, food freezers, washers, etc; (3) Down payments of at least 10 percent and 18 months maximum maturities for furniture and rugs; and (4) Down payments of at least 10 percent and maximum maturities of 30 months for home repairs and alterations. Such restrictions will tend to dampen consumer demand for many durable goods, and would facilitate the diversion of scarce critical materials into defense production.

PLANT AND EQUIPMENT EXPENDITURES OF U. S. BUSINESS, 1950

The first indication since the Korean outbreak of American business plans for capital expenditures during the remainder of this year was provided by a survey of capital outlays made jointly by the U. S. Department of Commerce and the Securities and Exchange Commission. According to that survey, plant and equipment expenditures during the second half of 1950 are expected to total about 9.8 billion dollars compared with 9.0 billion in the second half of 1949 and a peak of 10.2 billion in the second half of 1948. Although costs of capital equipment and new plants have risen in 1950, the anticipated level of expenditures in the second half of the year represents an increase in the physical volume to be purchased by business over that in the second half of 1949. The expected rise is in contrast to the decline from 9.1 billion in the first half of 1949 to 8.0 billion during the first half of this year. Planned outlays for the entire year now total 17.9 billion dollars, only slightly below the 1949 total, but considerably above the total of 16.1 billion anticipated at the beginning of this year.

Increases in outlays planned by manufacturing industries for the second half of 1950 account for virtually all of the expected rise in aggregate outlays from the second half of 1949. Anticipated outlays of manufacturing companies in the last six months of 1950 total 4.4 billion dollars compared with actual outlays of 3.5 billion in the last six months of last year. Total outlays by manufacturing companies for the full year 1950 are expected to total 7.8 billion dollars, compared with 7.2 billions in 1949, and a peak of 8.3 billions in 1948. Most of the increase from 1949 is anticipated in expenditures by electric and gas utilities which are expected to set new records.

A stimulus to further expansion in plant and equipment was provided by the recently enacted Revenue Act of 1950 calling for accelerated amortization for tax purposes on new facilities essential to the defense efforts.

COMMODITY PRICES

The advance in the general wholesale price level continued into August and early September, although at a slower rate than in July. The comprehensive BLS index of wholesale prices in August was 166.3 (1926=100), 2.1 percent above July, 8.8 percent above August 1949 and only 2.1 percent below the peak in August 1948. The accelerated rate of increase in prices of industrial commodities which carried them to a new postwar high contributed heavily to the July-August rise in the all-commodity index. The index of prices of commodities other than farm products and foods rose an average of 2.5 percent from July to August. This compares with an average increase of 1.8 percent from June to July. Prices of farm and food products also rose during August but at a slower rate than industrial commodities, the former index averaging 0.9 percent above July and the latter increasing 1.9 percent. Prices of both these groups had increased sharply in July, and accounted for most of the rise in the wholesale price level immediately following the Korean outbreak.

Table 1.- Group indexes of wholesale prices, week ended September 26, 1950 with comparisons

(1926=100)

Group	Week ended Sept. 26, 1950	Week ended Aug. 29, 1950	Week ended June 27, 1950	Week ended Sept. 27, 1949	Percent change week ended September 26 from: Week ended Aug. 29, 1950	Week ended June 27, 1950	Week ended Sept. 27, 1949
All commodities	169.4	167.2	157.1	152.4	+ 1.3	+ 7.8	+ 11.2
Farm products	180.2	179.5	165.0	160.2	+ .4	+ 9.2	+ 12.5
Foods	177.4	176.5	162.7	158.9	+ .5	+ 9.0	+ 11.6
All other than farm and food	159.4	155.4	148.7	145.3	+ 2.6	+ 7.2	+ 9.7
Textile products	162.2	149.6	136.7	138.0	+ 8.4	+ 18.7	+ 17.5
Fuel and lighting products	134.9	134.5	133.1	130.6	+ .3	+ 1.4	+ 3.3
Metals and products	176.4	174.8	173.1	168.5	+ .9	+ 1.9	+ 4.7
Building materials	221.3	216.1	201.4	190.0	+ 2.4	+ 9.9	+ 16.5
Chemicals and allied products	129.2	124.0	114.3	116.2	+ 4.2	+ 13.0	+ 11.2

Bureau of Labor Statistics

In late September all commodities averaged 1.3 percent higher than in late August with all groups showing increases. Average prices of textiles, chemicals and building materials advanced sharply in September, while prices of other groups registered moderate gains. The weekly index of wholesale prices of all commodities in mid-September averaged 7.8 percent higher than during the week immediately preceding the Korean outbreak, with substantial rises in prices of textiles, farm products, foods, building materials, and chemicals accounting for most of the increase. Increases in prices of fuel and lighting materials and metals and products since Korea have been slight.

Farm product prices averaged 2 percent higher in mid-September than in the previous month. The BAE index of prices received by farmers rose to 272 (1910-14=100), compared with 267 in August and 247 in September 1949. Prices received for all crops combined advanced 2 percent as increases in prices of cotton, tobacco, feed grains, oilseeds and fruit more than offset lower average prices received for food grains, truck crops, and "other vegetables". The average level of prices of livestock and livestock products also advanced during the month. The index of prices received for these commodities was 2 percent above mid-August, largely reflecting higher prices for wool and seasonal gains in prices received for dairy products. Increases were also registered for eggs and meat animals.

Table 2.- Group indexes of prices received by farmers, September 15, 1950 with comparisons

(1910-14=100)

Group	Sept. 15, 1950	Aug. 15, 1950	Sept. 15, 1949	September 15, 1950 percentage change from Aug. 15, 1950	September 15, 1950 percentage change from Sept. 15, 1949
Food grains	221	224	211	- 1.3	+ 4.7
Feed grains and hay	194	193	166	+ .5	+ 16.9
Cotton	336	311	250	+ 8.0	+ 34.4
Tobacco	428	399	393	+ 7.3	+ 8.9
Oil-bearing crops	303	293	227	+ 3.4	+ 33.5
Fruit	217	200	160	+ 8.5	+ 35.6
Truck crops	126	164	188	- 23.2	- 33.0
Other vegetables	163	183	198	- 10.9	- 17.7
All crops	243	239	212	+ 1.7	+ 14.6
Meat animals	372	369	319	+ .8	+ 16.6
Dairy products	248	240	251	+ 3.3	- 1.2
Poultry and eggs	196	191	236	+ 2.6	- 16.9
Wool	349	328	263	+ 6.4	+ 32.7
Livestock and products	298	292	279	+ 2.1	+ 6.8
Crops and livestock and products	272	267	247	+ 1.9	+ 10.1

Average prices received for all farm products in mid-September were 10 percent higher than in the same month a year ago. The index of all crop prices combined was 15 percent higher, reflecting substantial increases in prices for most groups. Truck crops and "other vegetables", the only groups registering declines from September 1949, were down 33 percent and 18 percent, respectively. Average prices received for all livestock and livestock products were up 7 percent. Substantial gains in prices received for wool and meat animals more than offset material declines in egg prices and a slight drop in dairy product prices.

Prices paid by farmers including interest, taxes and wage rates, continued to advance in September, marking the seventh consecutive monthly increase since February this year. The BAE parity index for mid-September was 259, 1 point above August, 11 points above September 1949 and only 3 points below the high reached in June 1948. Prices paid for most groups of commodities were steady to higher but prices paid for food, feed and seed were lower. As a result of the greater rise in prices received by farmers than in prices paid, the parity ratio (index of prices received divided by index of prices paid, interest, taxes and wage rates) rose to 105, 2 points above August and 5 points above September 1949.

Prices paid by moderate income families in large cities in mid-August were slightly higher than in mid-July. The BLS index of consumers' prices in mid-August was 173.0 (1935-39=100), compared with 172.5 in July, 168.8 in August 1949 and the peak of 174.5 reached in August 1948. Food prices receded slightly from the sharply advanced levels of mid-July, as small drops in prices of meats and substantial declines in prices of fruits and vegetables more than offset higher prices paid for coffee, milk, poultry and eggs. Apparel prices in mid-August were slightly higher than in the previous month as prices for new fall lines of some men's and women's clothing were advanced. Rents continued to rise fractionally.

FARM INCOME

Cash Receipts, January-September

Farmers' cash receipts from marketings during the first 9 months of 1950 are estimated at 18.7 billion dollars, 4 percent less than receipts in the corresponding period last year. Prices of farm products to date averaged nearly the same as a year ago, but the volume of marketings was a little smaller.

The 9-month total of receipts from livestock and livestock products was 11.2 billion dollars, including 6.4 billion for meat animals, 2.9 billion for dairy products, and 1.8 billion for poultry and eggs--with the small remainder representing miscellaneous minor livestock items. As compared with receipts in the same months last year, meat animals were up about 5 percent, mostly because of higher average prices; dairy receipts were practically the same, with a larger production of milk offset by lower average prices; but poultry and eggs were off about 18 percent as a result of lower prices. The total for all livestock items was slightly smaller than last year.

Cash receipts from crops during the 9-month period are estimated at 7.5 billion dollars, or 7 percent below crop receipts in the same months of 1949. Receipts from corn and tobacco were up a little from last year, because of higher average prices in each case. And receipts from some fruits were also larger, mostly as the result of a larger volume of sales. But receipts were below last year for the other principal crops.

Cash Receipts in September

Farmers' receipts from September marketings totaled approximately 3.0 billion dollars, 10 percent more than in August and slightly larger than receipts in September a year ago. Prices of farm products averaged slightly higher than in August and 10 percent above prices in September last year. On the other hand, while the volume of marketings was seasonally larger than in August, it was considerably smaller than last year.

Cash receipts from livestock and livestock products amounted to 1.5 billion dollars, slightly more than in the previous month and 7 percent more than a year ago. Receipts from meat animals were a little larger than in August, as seasonal increases in quantities marketed more than offset a decline in prices of hogs. Compared with last September, meat-animal receipts were up about 15 percent, largely because of higher prices. September dairy receipts were down seasonally, and about the same as last year. Receipts from poultry and eggs were up about 7 percent from their August level, reflecting larger marketings of chickens and turkeys; but they were 10 percent under a year ago because of lower prices for eggs.

Cash receipts from September crop marketings total about 1.5 billion dollars, up 15 percent from August, mostly because of a seasonally larger volume, but down slightly from last September. Although crop prices averaged 15 percent higher than last year, the volume of marketings was much smaller, mainly because of reduced production of cotton and wheat. September receipts from these two commodities were seasonally lower for wheat and seasonally higher for cotton, with both considerably below a year ago. Receipts from feed crops were larger than last September because of higher prices for corn. With seasonally larger marketings of flaxseed, soybeans, and peanuts, total receipts from oil-bearing crops were approximately twice as large as in August; but they were lower than last year because of smaller marketings of peanuts and flaxseed. Tobacco prices and cash receipts were above August levels--and also higher than in September last year. Receipts from fruits and vegetables show little change from either the preceding month or the same month a year ago.

LIVESTOCK AND MEAT

Seasonal increases in slaughter of meat animals began in August and early September, and are likely to continue through much of the fall. Price trends may be steady to lower, with a seasonal decline expected in prices of hogs. The larger supplies of meat are likely to overshadow a further strengthening of demand stemming from the prospective increase in business activity.

Hog slaughter has increased since mid-August. In late August and early September it was less than in the previous year because sow marketings fell off earlier, and substantial marketings of new crop barrows and gilts from the spring pig crop did not begin until about two weeks later than last year. By mid-September hog slaughter was again above the 1949 level, and it is expected to continue so the rest of the year.

Hog prices advanced during August to the highest level in nearly two years as there was a strong demand for the seasonally small supply. With increasing marketings of hogs from the 1950 spring pig crop, prices were down moderately after the first of September. Because of the strength of demand, prices may decline no more than the usual 18-20 percent from early fall to December, and probably will hold above last year's levels. Early next year prices probably will rise when marketings are seasonally reduced.

The fall increase in cattle slaughter also began late in August. With more cattle from feed lots this year than last, but fewer from range areas, the number of cattle slaughtered in early September was slightly below the corresponding 1949 level. Slaughter during the remainder of the year is expected to be larger than in the previous year and reach a seasonal peak in October or early November.

Prices of cattle were fairly steady in early September at about the levels of the previous three months. The spreads between prices of top and lower grades have continued narrow for the season. Some weakness in prices may develope at the time of largest marketings this fall, although demand both for slaughter cattle and for cattle to go on feed will have a strong supporting effect.

Veal calf prices have been steady to strong at this summer's high level, reaching new highs by mid-September for several markets. Prices are expected to remain relatively high the rest of this year.

Sheep and lamb slaughter picked up seasonally in September as receipts from western range areas increased. Slaughter recently has been smaller than in 1949 and is likely to continue smaller. Prices of sheep and lambs, now well above last year's prices, are not expected to drop much.

The 1951 spring pig crop probably will be larger than this year's crop. The hog-corn price ratio during the breeding season this fall promises to be well above average--thus indicating a probable increase in the number of sows farrowing next spring. Alternative feeding activities may be limited as supplies of feeder cattle and feeder lambs will be in relatively short supply.

Feed supplies this fall will be sufficient for a moderate increase in the spring pig crop next year. Total needs for corn might require some withdrawals from storage, which would be available near the 1950 loan price. The farm price may be below the loan this fall, but is expected to increase during the winter and spring.

DAIRY PRODUCTS

Milk production is declining seasonally but is about as large as a year earlier. The Department of Agriculture is buying only small quantities of butter, cheese and nonfat dry milk for price support, in comparison with supplies purchased in past months. Since mid-September USDA sales of butter have exceeded purchases. Casein prices have nearly doubled since the beginning of Korean fighting. Wholesale prices have advanced 5 to 10 percent for canned milk, 5 percent (3 cents) for butter but there have been no sizeable increases in prices of other manufactured dairy products. Usual fall-of-year price increases are taking place in most fluid milk markets.

A larger flow of consumer income resulting from rising economic activity will strengthen domestic demand for dairy products. However, increases in retail prices for most manufactured dairy products will be limited for some time because stocks held by the Department of Agriculture are available for sale to the trade at prices moderately above support levels. Retail prices for all dairy products have been exceptionally stable since early in 1949 and substantially below the peak levels reached in 1948.

Total fluid milk consumption is running greater than a year ago and more than half of the increase in farm milk production over 1949 has been consumed in fluid form. Recently, output of a number of manufactured dairy products was below a year earlier. Expected gains in consumers' incomes will tend to increase consumption of fluid milk. This increase may be limited to some extent by higher retail prices for fluid milk, since price rises in the last 3 months have been more general than was the case a year ago. For 1950, as a whole, per capita consumption of fluid milk will be about the same as the 385 pounds per person consumed last year.

Average prices received by farmers for whole milk at wholesale will increase through the rest of 1950 but may remain a little below last fall. In mid-September, the average price for all milk at wholesale was \$3.94 per hundredweight, \$.08 below last September, and \$1.09 below the peak for the month in 1948. Prices of manufacturing milk have been higher than a year earlier since March 1950 but prices paid by city milk distributors have been below comparable levels of 1949. Butterfat prices to farmers have been practically unchanged in a year and a half and will increase less than seasonally this year. Cash receipts from dairy products in 1950 will be nearly the same as the 3.8 billion dollars of 1949 despite larger quantities sold.

POULTRY AND EGGS

Egg prices continued to rise in September but not at their previous rates. Seasonal increases in production tempered the price rises that might have been expected in view of the record level of consumer income. Poultry prices, meanwhile declined slightly. In the next few months, continuing large supplies of poultry meat will tend to hold prices of poultry near present levels while seasonally increasing egg supplies will result in a seasonal decline in egg prices.

In mid-September, the U. S. average farm price of eggs was 40.4 cents per dozen, an increase of 2.4 cents from the month before. In the preceding month the increase had been 3.8 cents. During the past month some of the lower grades and smaller sizes of eggs had actually fallen in price

in metropolitan markets. Total egg production on farms probably will increase after September, in accord with past seasonal patterns. September egg prices, therefore, may have been at or near the seasonal peak.

After holding steady for about 3 weeks immediately following the Korean outbreak, egg futures prices rose to a 1950 peak in late July. From late July to early September they declined sharply. They recovered in mid-September but not to their pre-Korean levels. In late September, egg futures dropped to a new low for the year to date.

Average chicken prices in mid-September were slightly lower than a month earlier, 24.5 cents per pound (live) compared with 25.4 cents a pound in August. These prices were very close to the corresponding prices in 1949, while farm prices for eggs were 23 percent lower than a year ago.

In past years, marketings of chickens from farms have been at their seasonal peak in September and October, and the same situation is expected this year. Sales of broilers for the next few months will also be large, since recent chick placements have been at or near record levels. Therefore, large supplies of chickens will be available to temper any tendencies toward price increases.

Supplies of turkeys marketed this fall will be larger than a year ago as a result of the 6-percent increase in the number raised and the probable decline in the amount going into storage. Last year the Government support program resulted in a large movement of the 1949 crop into storage but no similar program is in effect this year. Peak storage stocks this year are likely to be smaller than last year. The probable difference may provide about an extra one-third pound of dressed turkey per capita for fresh consumption. Per capita turkey consumption this winter would need to be about 10 percent larger than in recent past seasons to absorb the larger supplies available for fresh consumption.

FATS, OILS, AND OILSEEDS

Prices of most fats and oils during the next 12 months probably will remain above a year earlier since consumer income and industrial activity will be higher than in the past 12 months. Output of fats and oils from domestic materials, plus oil equivalent of exported soybeans, flaxseed and peanuts, is likely to be nearly the same as the 11.9 billion pounds produced in the year ending September 30, 1950. Prices of lard and vegetable oils may decline this fall from early September levels, reflecting the seasonal peak in output. The price of soybeans also may be depressed this fall by heavy marketings from the record 1950 crop, unless marketings are spread over a longer period than usual.

The index of wholesale prices of 26 major fats and oils (butter excluded) in September was about 190 (1935-39=100), 8 points above August, 33 points above September 1949 and the highest since January 1949. Prices of edible vegetable oils, coconut oil, and inedible tallow and greases in late August and early September extended the advances begun in July. However, the price of lard did not share in this advance, and in the latter half of September prices of edible vegetable oils declined sharply.

Loans and purchase agreements will be offered to producers by CCC for the 1950 soybean crop. The national average loan rate will be $2.06 per bushel, country delivery points, for No. 2 Green and Yellow soybeans. The rate last year was $2.11 per bushel. Storage allowances paid to farmers for the 1949 and earlier crops are discontinued this year.

Price-support loans to producers will be available on 1950-crop cottonseed at $51.00 per ton on basis grade (100) compared with $50.65 per ton for last year's crop. In areas where a purchase program may be necessary, purchases will be made at $47.00 per ton for basis grade (100). Purchases of the 1949 crop were made at $46.50 per ton regardless of grade.

A price-support program for the 1951 crop of flaxseed was announced in September. Loans and purchase agreements will be available to farmers at $2.65 per bushel (equivalent to about $2.90, Minneapolis) compared with $2.57 per bushel ($2.82, Minneapolis) for the 1950 crop. Storage allowances for flaxseed, as for soybeans, have been discontinued.

CORN AND OTHER FEED

Prices of feed grains in September averaged close to the August level. The mid-September index of feed grain prices was 21 percent higher than a year earlier and 30 percent above the seasonal low point of last November. Prices of the lower protein byproduct feeds also are generally higher than a year ago, while some of the high protein feeds, notably fish meal and soybean meal, are substantially lower.

Feed prices this fall and winter are expected to average somewhat higher than in the same period of 1949-50. Some seasonal decline in corn prices is to be expected this fall. The average farm price of corn probably will hold nearer the loan rate during the last quarter of 1950 than in that quarter of 1949. The National average support on 1950 corn is $1.47 per bushel, 7 cents higher than in 1949. The full support is available to cooperating farmers in the commercial area. In the non-commercial area, the support is 75 percent of that in the commercial area. In mid-September the farm price of corn was slightly below the support level, and oats and barley were above price supports. A year ago prices of all these grains were below the supports.

Early reports indicate that more of the feed grains placed under price support in 1949 have been redeemed by farmers and relatively less delivered to CCC than in the previous year. A large part of the oats placed under price support and about one-half of the barley has been redeemed. More corn also has been redeemed than last year, but practically all of the grain sorghum was delivered to CCC. Present indications are that the total quantity of feed grains going under price support in 1950-51 will be somewhat smaller than in the past 2 years when about one-eighth of the total production of the four feed grains was placed under price support.

Supplies of feed concentrates will again be more than ample for the coming year. The total 1950-51 supply of feed concentrates is expected to approximately equal the record supply in 1949-50, both in total and per grain-consuming animal unit. Some increase in total utilization is expected in 1950-51, but another large carry-over is in prospect at the close of the feeding season. Pastures have been unusually good this summer over most parts of the country and prospective hay supplies are the largest on record in relation to the number of roughage-consuming animal units to be fed.

WHEAT

During the past month wheat prices have continued below the loan level. Reduced exports, difficulty in obtaining storage facilities, and reduced emphasis on war news have weakened prices compared with prices earlier in the marketing season.

On September 29 the price of No. 2 Hard Winter wheat, ordinary protein, at Kansas City at $2.17 was 8 cents under the loan rate of $2.25. The low of $2.09 for this year was reached on June 24, and the high of $2.31 for the new crop was reached on July 22. With the heavy marketing movement in spring wheat under way the price of No. 1 Dark Northern Spring, ordinary protein, at Minneapolis on September 29 at $2.18 was 9 cents below its loan rate of $2.27. Substantial premiums are being paid for high protein spring wheat which is having a strengthening influence on prices of Hard Winter wheat of similar quality.

The September 1 production estimate was 1,012 million bushels, slightly above the 996 million estimated in August. With the carry-over of 417 million bushels, the domestic supply totals 1,429 million bushels. Domestic disappearance may total about 725 million bushels. If exports, shipments, and military use total about 260 million bushels, the carry-over would total about 445 million bushels, or only moderately above the 417 million at the beginning of the marketing year.

The major postwar adjustment in world trade in wheat and flour appears to have been made during the 1949-50 marketing season. During that year total world exports declined to about 815 million bushels compared to the record movement of nearly 1 billion bushels in 1948-49. Small further declines in total trade during 1950-51 are expected but this will depend, of course, on the international situation.

Wheat stocks on July 1 in the four principal wheat exporting countries (United States, Canada, Australia, and Argentina) totaled 783 million bushels, 120 million or 18 percent above the 663 million a year earlier. Stocks this year are 71 percent above the 1935-39 average of 458 million, but only 45 percent of the peak of 1,737 million reached July 1, 1943.

World wheat production in 1950 is currently estimated at 6.4 billion bushels. This would be the largest wheat crop reported since 1938 with the exception of the unusually favorable harvest of 1948. The current estimate is about 6 percent above the immediate prewar period, reflecting the sharp increase in North America. Compared with last year, indigenous supplies will be larger in most of the principal importing countries. An over-all increase of about 50 million bushels in Europe's crop may result in a further reduction of import requirements from overseas for that Continent, assuming that collections of indigenous grain continues satisfactorily. Total wheat imports into Europe in 1949-50 amounted to about 470 million bushels. Breadgrain crops in the U.S.S.R. are estimated below the prewar average and also slightly below the 1949 harvest.

Prospects for the Canadian harvest, which is running 2 to 3 weeks late, point to a wheat crop of 490 million bushels. This compares with 267 million bushels in 1949 and a 1935-39 average of 312 million. The present estimate is smaller than earlier prospects, since heavy frost damage reduced the crop, especially in Saskatchewan.

FRUIT

Prices that growers will receive this fall for most 1950-crop deciduous fruits are expected to average higher than in the fall of 1949. After the usual heavy harvest-time marketings are over, prices may advance about seasonally. The higher prices this fall than last are the result of smaller production and stronger demand, especially for processing.

The 1950 deciduous fruit crop was estimated on September 1 to total 14 percent smaller than the large 1949 crop and 7 percent smaller than the 1939-48 average. Production of tree nuts was estimated to be 22 percent smaller than in 1949 but 4 percent larger than average.

Production of apples in commercial areas is estimated to be 11 percent smaller than in 1949 but 9 percent above average. The pear crop is near average but 18 percent smaller than the record 1949 crop. Grower prices for each of these fruits are expected to continue higher this fall than last. To aid in marketing abroad the kinds of fresh apples and pears that were usually exported before World War II, the United States Department of Agriculture on September 11 inaugurated an export payment program for apples and winter pears, similar to the programs for 1949-crop apples and pears.

Prospects on September 1 were for a cranberry crop about 12 percent larger than the 1949 crop and 32 percent above average. Grower prices may not average quite as high as in 1949. The grape crop is expected to turn out 5 percent smaller than the 1949 crop and 9 percent below average. With reduced production and stronger demand for grapes for manufacture into wine and juice, grower prices are expected to average somewhat higher this fall than in the same time last year.

Total production of dried fruits in 1950-51 is expected to be moderately smaller than in 1949-50. But the 1950-51 pack of canned fruits probably will be nearly as large as the 1949-50 pack. Smaller production of canned citrus juices in 1950 will be more than offset by a doubling in output of frozen concentrated citrus juices. The 1950 pack of frozen fruits and fruit juices is expected to set a new record. Higher retail prices seem likely for the 1950-51 packs of most canned and dried fruits.

As new crop Florida oranges and grapefruit are marketed in volume in October, grower prices are likely to decline seasonally. With average weather, the 1950-51 crops probably will be larger than the 1949-50 crops.

COMMERCIAL TRUCK CROPS

For Fresh Market

Prices received by farmers for most commercial truck crops produced for fresh market this fall probably will average somewhat lower than in the same months last year. Demand is expected to be fully as strong this fall as a year earlier. However, aggregate supplies of vegetables are expected to be about 10 percent larger than last fall. Fall supplies of cabbage, carrots and lettuce are expected to be particularly plentiful. Supplies are indicated to be smaller only for cauliflower and early fall snap beans and spinach.

For Commercial Processing

Production of 6 out of 9 major truck crops for commercial processing reported thus far is indicated to be larger this year than last although the total tonnage of the 9 crop will probably be smaller. The 3 crops indicated to be smaller this year are lima beans, sweet corn and spinach. The large reduction in tonnage of sweet corn for processing, along with the lesser reductions in the other 2 crops, are enough to more than offset the tonnage increases in the other 6 crops. However, the reduction in sweet corn production was largely an intentional adjustment to compensate for the heavy canned stocks that were on hand at the beginning of the season. Total supplies of canned vegetables this fall and winter are expected to be large enough to permit civilian consumption to continue near the high rates of recent years. Retail prices of most canned vegetables this fall probably will average near or somewhat above the levels of a year earlier.

POTATOES AND SWEETPOTATOES

Demand for potatoes this year appears to be about the same as last year. The 420 million bushel crop indicated September 1 is some 18 million bushels larger than the 1949 crop out of which the Government bought nearly 77 million bushels for price support. The prices farmers receive will be determined largely by the support program. The level of support is slightly lower than last year because of a slightly lower level of parity for potatoes, and current prices are moderately lower than at the same time last year, both at retail and at country shipping points.

In spite of the larger crop this year the total quantity which the Government will have to buy for price support may be about the same as the quantity bought from the 1949 crop. This possibility arises from these factors: (1) prices are moderately lower; and (2) there are substantial areas not eligible for support this year because proposed marketing agreements and orders in such areas were disapproved by producers.

Some increase in acreage of sweetpotatoes and a yield slightly above the previous record high of last year, will give a crop according to the September 1 estimate, that is 10 percent larger than the 1949 crop, though slightly smaller than the 1939-48 average.

Prices for sweetpotatoes at country shipping points and in terminal wholesale markets have been much lower than at the same time last year, and movement of the crop appears to be lagging. However, the prices received by farmers probably will rise at least seasonally after the fall harvest. With continued high levels of employment and income forecast for this winter, demand for sweetpotatoes should be at least as strong as last winter.

COTTON

The 1950 cotton crop as of September 1 was estimated at 9,882,000 bales of 500 pounds gross weight or 9,700,000 running bales. The carry-over on August 1 was estimated at 6.7 million bales. The total supply of cotton, including imports, for the 1950 season will be about 16.8 million bales, compared with 21.5 million bales last season.

Domestic mill activity was up sharply from July, when numerous mills shut down for vacations. Domestic mill consumption in August was 808,000 bales, 32 percent above July and 22 percent above August a year earlier. The prices of grey goods advanced in August over July. The average wholesale price of the 17 selected constructions was 81.40 cents per pound in August, 12 percent above July, 32 percent higher than in August 1949 and the highest since June 1948. Mill margins were 41 percent higher than last August.

Exports of cotton in August appeared to be in excess of 400,000 running bales compared with 265,000 bales this July and 168,000 bales in August 1949. Export controls were reimposed effective on September 8. This action applies to exports of all raw cotton to all destinations except Canada and does not apply to exports valued at less than $250 when destined for countries outside the Soviet bloc.

Spot prices of cotton advanced to 41.20 cents per pound on September 23. This compares with 38.02 a month ago and 29.76 a year earlier. The average price received by farmers in mid-September was 39.98 cents, compared with 36.95 cents in August and 29.70 cents in September a year ago.

WOOL

World demand for wool continues exceptionally strong. At the opening auctions of the new selling season in Australia and the Union of South Africa late in August and early in September, prices were 35 to 50 percent higher than those at the closing auctions of the previous season in June.

The average price received by domestic growers for shorn wool in September 1950 was 62.2 cents per pound, grease basis. This compared with 58.3 cents received the previous month and 47.9 cents in September of last year. Some contracting for the 1951 spring clip already is taking place.

Prices at Boston for both domestic and imported wools continued to advance during the last half of August and early September. For the week ending September 22, domestic territory fine combing (staple 64s and finer) wool was quoted at $2.50 per pound, scoured basis. This compared with the price of $2.03 for the week ending August 18 and $1.76 for the week ending June 23. Australian 64s, 70s good topmaking wool was quoted at $2.73, clean basis, American yield, in bond, for the week ending September 22 and at $1.78 for the weeks ending both August 18 and June 23.

During July domestic woolen and worsted mills consumed apparel wool at the rate of 7.2 million pounds, scoured basis, per week, compared with 5.6 million pounds in July 1949. Consumption during January-July amounted to 240 million pounds. Consumption during the corresponding period of 1949 totaled 176 million pounds. During January-July domestic mills consumed 112 million pounds of carpet wool, compared with 94 million pounds during the same period of 1949.

Imports for consumption of dutiable (apparel) wool during June amounted to 18 million pounds, clean basis. Imports of such wool during the first 6 months of the year totaled 124 million pounds, 63 million pounds more than the quantity imported during the first half of 1949. Imports for consumption of 124 million pounds of duty-free (carpet) wool during January-June were 68 million pounds greater than for the same period of 1949.

TOBACCO

The demand for flue-cured tobacco is continuing strong and the 1950 season average price is likely to be a record. The 1950 flue-cured crop was about two-thirds marketed by October 1, and prices averaged 54.7 cents per pound, 16 percent above the average for the comparable period last season. The 1950 flue-cured support level is 45.0 cents per pound. Burley auctions usually begin around December 1. The 1950 crop is smaller than last year's but carry-over on October 1 was the largest on record. The 1950 Burley support level which is determined on the basis of 90 percent of the September 15 parity, is 45.7 cents per pound. The support level for the 1950 Burley crop is 13 percent higher than a year earlier, and is also slightly higher than last season's average price of 45.2 cents per pound.

Cigarette production, the main outlet for flue-cured and Burley is expected to continue high. During January-August 1950 U. S. cigarette consumption was nearly 4 percent higher than in the same period last year but cigarette exports were smaller. During January-August consumption of snuff was up about 2 percent and that of smoking and chewing tobacco combined was approximately the same as in the same months a year earlier.

Snuff and chewing tobacco are important outlets for the fire-cured and dark air-cured types. Auctions for these types begin in the late fall and around the first of the year. Although the 1950 production of these types is smaller than last year's, stocks are ample. The 1950 support levels for fire-cured and dark air-cured (computed at 75 percent and 66-2/3 percent of the Burley loan level) are 34.3 and 30.5 cents per pound respectively. These support levels are between 13 and 14 percent higher than those for last season. The average prices received by farmers for the 1949 fire-cured and dark air-cured crops were 29.8 and 28.2 cents per pound.

The 1950 cigar binder crop is larger than last year while the production of filler, according to the September crop report, is indicated at about the same as in 1949. The production of cigar wrappers this year is about 16 percent less than last year's record. United States cigar consumption during January-August 1950 was 2 percent smaller than in the same period of 1949 but there was a sharp upturn in tax-paid withdrawals in August.

Exports of unmanufactured tobacco from the United States during January-July totaled 191 million pounds (declared weight) compared with 215 million pounds during the same months of 1949. Substantial quantities of tobacco will be exported during the remaining months of 1950 as the marketings of flue-cured progress.

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